



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

(Code 990592)

MAR 16 1972

Mr. James D. Tilford, Jr.
Tilford Flying Service
Palm Beach International Airport
West Palm Beach, Florida 33406



Dear Mr. Tilford:

Since our Atlanta representatives met with you last August, we have obtained certain additional information regarding the Government contract for aircraft fuel at Palm Beach International Airport which your letter of June 9, 1971, suggested we inquire into. In view of your interest in the matter, we thought it would be useful at this time to provide you with an up-to-date summary of facts and circumstances relating to the purpose and use of this contract.

As a result of our further inquiries we have found that the contract at Palm Beach is one of a number of similar contracts awarded by the Defense Fuel Supply Center (DFSC) to serve locations throughout the United States where mission requirements necessitate refueling military and other Government aircraft at commercial airports.

These contracts, as opposed to open-market purchases, are advantageous to the Government because (1) they ensure the delivery of quality fuel under rigid technical and safety requirements that otherwise may not be observed at all airports and (2) they generally result in significant savings because of the larger quantities which result when various Government departments and agencies combine their requirements into a single procurement.

The extent of these savings was recently demonstrated by an analysis of 42 DFSC contracts similar to and including the one at Palm Beach. This analysis showed that, for fiscal year 1972 requirements at 65 airports, the Government will realize savings of \$3 million by using these contracts instead of buying fuel on the open market at prices posted at the airports. The rate of savings estimated for Palm Beach is comparable to the average rate of savings estimated for all contract locations considered in the analysis.

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As you have suggested, fuel obtained under a Government contract should not be provided to privately owned aircraft unless it is to the advantage of the Government to do so. One of the situations in which such an arrangement is to the Government's advantage is when the private aircraft is being used in the performance of a Government contract.

The DFSC contract at Palm Beach provides for fueling certain specified privately owned aircraft engaged in work under a Government contract. Provisions of this nature are normal in Government supply contracts when their use is in the Government's interest. As long as appropriate steps are taken to make sure the Government obtains the benefit of any resultant savings, we consider these provisions to be desirable.

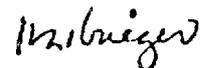
As you indicated during our August meeting, the Palm Beach contract in effect at the date of your letter called for a grade of aviation fuel that normally is used only by the Air Force--115/145. However, on May 20, 1971, DFSC solicited offers from potential suppliers for a new contract. This solicitation, while stating a preference for the 115/145 fuel, provided that offers for the lower-grade 100/130 fuel would be considered if no offer for 115/145 fuel was received. We understand you were solicited to submit an offer on this requirement but apparently chose not to do so. The current contract, awarded on the basis of the May 20 solicitation, calls for 100/130 fuel.

According to DFSC records, offers for next year's contract were solicited from potential suppliers, including your company, on January 26, 1972. Like the May 20 solicitation, this solicitation provides for the submission of alternate offers for 100/130 fuel.

On the basis of the information developed, it appears that the Government has a valid need for the fuel contract at Palm Beach and that the terms and provisions of the contract are in the Government's best interests.

Your interest and assistance in this matter are appreciated.

Sincerely yours,



H. L. Krieger
Regional Manager